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SUBJECT: NGOS CHILLED BY SPY ALLEGATIONS

Classified By: DCM Daniel A. Russell. Reasons: 1.4 (B/D).

11. (C) SUMMARY: Five days after Russian television aired accusations by the Federal Security Service (FSB) that four UK diplomats and a Russian were caught spying and that one of the diplomats was directly involved in transferring funds to Russian NGOs, the fallout continues. The State Duma denounced the spying activity in a January 24 resolution, and a day later President Putin cited it as vindication of the new NGO legislation he had signed earlier this month. A January 26 announcement that the Procuracy had renewed tax charges in a long-running case against the British Council in St. Petersburg may be the latest twist in the story. A number of NGO representatives told us they see the week's events as part of a broader attack on independent and above all foreign-funded NGOs, following the passage of the new NGO legislation. Even if the present furor over foreign-funded NGOs subsides, the pressure on those organizations will likely remain high, with drafting of the NGO legislation's implementing regulations yet to come. END SUMMARY.

ACCUSATIONS SPARK DUMA, PRESIDENTIAL REACTIONS  
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12. (SBU) State-owned Rossiya television channel's January 22 report of FSB accusations about spying and links to foreign funding of NGOs has sparked a week of activity. The story accused four British diplomats at the UK Embassy of spying in conjunction with a Russian citizen, who reportedly has been arrested. The report went on to link the story with civil society by alleging that at least one of the four Brits was directly involved in transferring UK financial assistance to Russian NGOs. Two NGOs, the Moscow Helsinki Group and the Eurasia Foundation, were featured in that and other reports. (Other organizations listed among the twelve were the Institute of Law and Public Policy, the Nizhniy Novgorod Committee Against Torture, and the Center for the Development of Democracy and Human Rights.) On January 23, an FSB spokesperson also charged that a number of NGOs had been created, financed and supported by the U.S. and other NATO countries.

13. (SBU) The media reported January 25 that FSB Deputy Director Yuriy Gorbunov briefed a select group of State Duma deputies, meeting in closed session the previous day. In that session, Gorbunov reportedly alleged that one of the four diplomats had authorized official UK grants to twelve NGOs. Duma Speaker Boris Gryzlov emerged from that meeting expressing indignation about the situation, saying that he was concerned not only with the espionage but also with the financing of NGOs by a foreign intelligence service. On January 25, the Duma overwhelmingly passed a non-binding resolution condemning the affair, including the UK Embassy's alleged role. The Duma reportedly also called for an investigation of the twelve organizations named by the FSB, and indicated it would raise the issue of British espionage before the OSCE. Speaking to reporters in St. Petersburg that same day, Putin cited the incident as justification for

the new NGO legislation he signed into law earlier this month.

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COLLATERAL DAMAGE TO BRITISH COUNCIL?  
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¶4. (SBU) The St. Petersburg Procuracy's January 26 announcement that it had renewed tax charges against the British Council came parallel to the spying charges. The Council has faced a long-running investigation over whether it must pay taxes on income received from students paying for its English-language training. The Procuracy had reportedly dropped the case, but according to the January 26 announcement, renewed it on December 22. Despite the Procuracy's statement that the case had been renewed a month before the spy story broke, observers speculated that it may be connected with the flurry of attacks against foreign-funding of activities in Russia, in which the British government features prominently.

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NGOS DEFIANT BUT CONCERNED  
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¶5. (SBU) Reaction from NGOs, including the Moscow Helsinki Group and the New Eurasia Foundation, were swift and defiant. In a January 25 press conference also attended by Public Chamber member Genri Reznik, representatives of both those organizations publicly acknowledged that the UK, as well as other foreign governments, had long provided support, but they vehemently rejected any implication of involvement in espionage. Moscow Helsinki Group head Lyudmila Alekseyeva announced at the press conference that 85 Russian NGOs had signed a statement charging that the FSB and some media outlets aimed to undermine the relationship between the authorities and civil society in Russia.

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¶6. (C) Our conversations with NGO activists in recent days have revealed mixed views about the implications of the week's developments. Valentina Melnikova of Soldiers Mothers told us the FSB had long been keeping close tabs on her activities and had contacted her on many occasions, including to find out about her 2004 conversations with Chechen rebel leader Akhmed Zakayev. FSB officers had also always been very interested in her interaction with foreign diplomats. She added, however, that her organization had been thoroughly investigated by the Procuracy and had never faced charges, leading her to believe that she would not be subject to a new attack, at least in the short term.

¶7. (C) In a meeting with us shortly before her January 26 press conference, Alekseyeva expressed determination to continue with her work, including pursuing plans for election monitoring. Animated, although looking tired, she described the spy accusations as a GOR attempt to legitimize the new NGO legislation and to incriminate organizations like hers.

¶8. (C) Human rights activist Svetlana Gannushkina, a member of the Presidential Commission on Human Rights and the Development of Civil Society Institutions, told us that NGOs were under real threat. In her view, the Public Chamber and the spy scandal were part of a broad GOR strategy to pressure independent organizations. Gannushkina said that identifying the Moscow Helsinki Group as having alleged involvement in the affair was particularly alarming, given that Alekseyeva enjoys broad international prominence and had maintained reasonably good ties with Russian officials. In Gannushkina's view, the FSB's message was that if Alekseyeva was being targeted, no independent activist could feel safe.

¶9. (C) Aleksandr Petrov of Human Rights Watch echoed that view. He told us the creation of the Public Chamber, the passage of the NGO law, and now the spy scandal were all interconnected. While some activists believed the spy incident was an FSB "warning" to independent civil society, Petrov said, he considered the FSB's depiction of NGOs as

tools of Western intelligence as an "attack."

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MEDIA REACTION

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¶10. (U) The Russian print media largely shared the views of Gannushkina and Petrov, with most daily newspapers drawing a connection between the spy incident and recent changes in NGO legislation. "Vremya Novostey" observed that the FSB had been instructed to find arguments to back Putin's hostile attitude toward NGOs. "Noviye Izvetiyyi" reported that "the FSB had launched a campaign to discredit human rights activists." "Gazeta" likewise categorized the incident as an assault on Russian NGOs, arguing that the initial television report depicted human rights organizations as the "de facto equivalent of British spies" and adding that once the "notorious" NGO law comes into force, life will be much harder for these organizations. A respected commentator asserted in "Kommersant" that such a "scandalous documentary" could not have been aired on state-run television without explicit approval from the station's top management and the government-controlled media conglomerate that owns the station.

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COMMENT

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¶11. (C) The latest FSB expose has sent a chill throughout the independent NGO community. The developments of the past week follow on FSB Director Nikolay Patrushev's warning last May that some NGOs, working in concert with foreign backers, might attempt to undermine the security of the nation. Putin also expressed reservations about the activities of foreign-funded NGOs on several occasions over the last year.

¶12. (C) The entire episode comes at a time when the Kremlin is under pressure from the international community regarding its commitment to civil society development, with the passage of the NGO legislation coming under particularly harsh criticism (most recently at the Parliamentary Assembly of the Council of Europe). The accusations against the NGOs appear intended to bolster the Kremlin's arguments about the need for such legislation to control foreign funding of organizations that seek to influence Russian domestic politics.

¶13. (C) The furor of the past week will eventually subside, although the renewed charges against the British Council will keep it bubbling for the moment. However, the atmosphere for independent NGOs, especially those receiving foreign funding, will have deteriorated. Implementing regulations for the NGO legislation remain to be drafted, and the effect of this

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whole episode will not be positive.  
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